

***AN APPRAISAL OF ±160 ACRES LOCATED IN THE EAST ½ OF THE
WEST ½ OF SECTION 12, TOWNSHIP 9 NORTH, RANGE 3 WEST,
P.M.M., JEFFERSON COUNTY, MONTANA***

***DATE OF VALUATION
OCTOBER 29, 2008***

FOR

***MONTANA DEPARTMENT OF NATURAL RESOURCES AND
CONSERVATION TRUST LAND MANAGEMENT DIVISION
1625 ELEVENTH AVENUE, HELENA, MT 59620***

***BY
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November 5, 2008

Montana DNRC Trust Land Management Division
c/o Tom Konency, Appraiser
P.O. Box 201601
Helena, MT 59620-1601

RE: ±160 acres of land located in the East ½ of the West ½, Section 12, Township 9 North, Range 3
West, P.M.M., Jefferson County, Montana

Dear Tom:

In accordance with the contract with the Department of Natural Resources and Conservation, Trust Land Management Division, I have made the necessary inspection and analysis to appraise the above referenced property. The attached report provides the essential data, and detailed reasoning employed in estimating my final value estimate. The report contains 36 pages excluding the addenda

I have appraised the property as a whole, owned in fee simple and unencumbered. I assume no responsibility for matters that are legal in nature nor do I render any opinion as to title.

The property being appraised consists of ±160 acres of vacant land located northeast of Montana City, Jefferson County, Montana.

The value reported is qualified by certain definitions, assumptions and limiting conditions, hypothetical condition and certification, which are set forth within the attached report. The analysis contained herein is considered to be a complete appraisal, presented in a summary appraisal report format. This appraisal report is intended to conform to the Uniform Standards of Professional Appraisal Practice, FIRREA and State of Montana, DNRC reporting requirements.

Based on my analysis, the market value of the subject property, as set forth, documented and qualified in the attached report under conditions prevailing on October 29, 2008 was:

Three Hundred Twenty Thousand Dollars
\$320,000*

*This value is subject to the Hypothetical Condition on page 8.

I direct your attention to the data, discussions and conclusions which follow.

Respectfully submitted,

Gregory A. Thornquist
Montana State Certified
General Real Estate Appraiser #867

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ADDENDA:

Contract

Scope of Work

Deed

Zoning Classifications

Comparable Land Sales with Photographs

Qualifications of the Appraiser

State License

SUBJECT PROPERTY PHOTOGRAPH



Arial view of approximate location of the subject.

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

<i>PURPORTED OWNER:</i>	State of Montana
<i>PROPERTY TYPE:</i>	Vacant land
<i>LOCATION OF PROPERTY:</i>	This property is located approximately $\frac{3}{4}$ mile northeast of Montana City and the Interstate 15/Montana City Interchange.
<i>SITE:</i>	± 160 acres
<i>PROPERTY RIGHTS APPRAISED:</i>	Fee Simple
<i>ZONING:</i>	Basic Resource
<i>PRESENT USE:</i>	Agricultural grazing land
<i>HIGHEST AND BEST USE:</i>	Residential
<i>DATE OF VALUATION:</i>	October 29, 2008
<i>VALUE:</i>	\$320,000*

* This value is subject to the Hypothetical Condition on page 8.

ASSUMPTIONS AND LIMITING CONDITIONS

This is to certify that the appraiser, in submitting this statement and opinion of value of subject property, acted in accordance with and was bound by the following principles, limiting conditions and assumptions. Unauthorized use of this report is set forth below.

1. No responsibility is assumed for matters that are legal in nature nor is any opinion rendered on title of property appraised.
2. Unless otherwise noted, the property has been appraised as though free and clear of all encumbrances.
3. Where the values of the land and the improvements are shown separately, the value of each is segregated only as an aid to better estimate the value which it lends to the whole parcel, rather than value of that particular item if it were by itself.
4. All maps, areas, plans, specifications, and other data furnished to the appraiser were assumed to be correct. No survey of the property was made by this firm. Furthermore, all numerical references to linear measurements, area, volume or angular measurements should be assumed to be "more or less" (+/-) and are accurate to a degree consistent with their use for valuation purposes.
5. This appraisal considers only surface rights to the property with consideration of current zoning and land use controls. The estimate of **highest and best** use will form the basis for the value estimate. This appraisal does not consider mineral, gas, oil or other natural resource rights that may be inherent in the ownership of the property.
6. In this appraisal assignment, any potentially hazardous material found on the land or used in the construction of the buildings, such as urea formaldehyde foam insulation, petroleum residue, asbestos and/or existence of toxic waste or gases, which may or may not be present on the property, has not been considered. The appraiser is not qualified to detect such substances. Any interested party is urged to retain an expert in this field if there is any question regarding such potentially hazardous material. If such material or substance is present it could adversely affect the value reported herein.
7. The appraiser is not a seismologist. This appraisal should not be relied upon as to whether a seismic problem exists, or does not actually exist on the property. The property which is the subject of this appraisal is within a geographic area where earthquakes and other seismic disturbances have previously occurred and where they may occur again. Except as specifically indicated in the report, no seismic or geologic studies have been provided to the appraiser concerning the geologic and/or seismic condition of the property. The appraiser assumes no responsibility for the possible affect on subject property on seismic activity and/or earthquakes. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed seismic requirements by the City or County. It is possible that a survey of the property could reveal that the property does not meet the required seismic requirements. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance requirements in estimating the value of the property.

8. All data contained in this report and in the appraiser's files, as obtained from other sources, upon which to any degree the opinions and conclusions were based, are considered reliable and believed to be true and correct. However, the appraiser does not assume responsibility for the accuracy of such items that were obtained from other parties.
9. There shall be no obligation to give testimony or attendance in court by reason of this appraisal with reference to the property in question unless arrangements have been previously made and at an additional fee.
10. Neither all nor any part of the contents of this report, especially the conclusions as to value, the identity of the appraiser or the firm with which he is connected shall be disseminated to the public through advertising media, news media, public relations media, sales media, or any other public means of communication without the prior written consent of the appraiser.
11. Gregory A. Thornquist does not authorize the out-of-context quoting from, or partial reprinting of, this appraisal report.
12. The liability of Gregory A. Thornquist is limited to the client and to the fee collected. Further, there is no accountability, obligations or liability to any third party. If this report is placed in the hands of anyone other than client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser assumes no responsibility for any costs incurred to discover or correct any deficiencies of any type present in the property; physically, financially, or of a legal nature.
13. The fee for this appraisal report is for the service rendered and not for time spent on the physical report or for the physical report itself.
14. This appraisal report is prepared for the sole and exclusive use of the client, State of Montana, Montana DNRC Trust Land Management Division. No third parties are authorized to rely upon this report without the expressed written consent of the appraiser.
15. This Summary Appraisal Report is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it presents only summary discussions of the data, reasoning, and analysis that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning and analysis is contained in the appraiser's file.

HYPOTHETICAL CONTITION

1. The subject property is currently leased for agricultural grazing purposes. The assignment instructions, as provided by the client, indicate the property is to be appraised as though the property is not subject to a lease. Therefore, the value conclusion as reported excludes consideration of the current lease agreement.

SCOPE OF THE APPRAISAL

I initially spoke with Tom Konency, appraiser with the Montana DNRC Trust Land Management Division and I was retained to appraise the subject property. Mr. Konency provided me with the following information:

- Scope of work
- Parcel description
- Contact information for inspecting the subject property
- Grant of Roadway Access Easement

On October 29, 2008 I met with D.J. Bakken, Helena Unit Manager with Montana Department of Natural Resources and he accompanied me to the subject site. Mr. Bakken also noted the actual corner pins could not be located. Mr. Bakken provided me with copies of the following information:

- Lessee information
- Information with respect to easements
- Maps

General information pertaining to the subject property was also obtained from the Jefferson County Courthouse.

The neighborhood and surrounding competitive market areas were researched to find comparable market data. Real Estate agents, property owners, and real estate appraisers in Helena were interviewed in an attempt to find relevant market data. This market data has been confirmed by personal contact with the buyer, seller, broker, and/or property owner.

All of the comparables described in the body of the report are shown in detail on the summary sheets included in the addenda.

Effective Date:

The effective date of this appraisal report is October 29, 2008. This is the date of valuation and was the actual date of the property inspection. This appraisal report was completed November 5, 2008.

DEFINITION OF MARKET VALUE

Market value as used in this report was provided by the client and is defined as follows:

Current fair market value. (MCA 70-30-313) Current fair market value is the price that would be agreed to by a willing and informed seller and buyer, taking into consideration, but not limited to, the following factors:

- (1) the highest and best reasonably available use and its value for such use, provided current use may not be presumed to be the highest and best use;
- (2) the machinery, equipment, and fixtures forming part of the real estate taken; and any other relevant factors as to which evidence is offered.

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to provide the clients with a credible opinion of current fair market value of the appraised subject property.

INTENDED USE OF THE APPRAISAL AND INTENDED CLIENT

The intended use is for the decision making process concerning the potential sale of the subject property. The clients and intended users are the State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC).

PROPERTY RIGHTS APPRAISED

This appraisal is made with the understanding and assumption that present ownership of the subject property includes all rights that may be lawfully owned, and is therefore, titled in fee simple as of October 29, 2008. A fee simple estate is subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.

State of Montana lands are always to be appraised as if they are in private ownership and could be sold on the open market and are to be appraised in **Fee Simple interest**. For analysis purposes, properties that have leases or licenses on them are to be appraised with the Hypothetical Condition the leases/licenses do not exist.

IDENTIFICATION OF PROPERTY AND LEGAL DESCRIPTION

The property which is the subject matter of this report consists of ± 160 acres located $\frac{3}{4}$ mile northeast of the Montana City/I-15 Interchange. The legal description for the subject site as provided to me is as follows:

" ± 160 acres located in the East $\frac{1}{2}$ of the West $\frac{1}{2}$ of Section 12, Township 9 North, Range 3 West, P.M.M. Jefferson County, Montana."

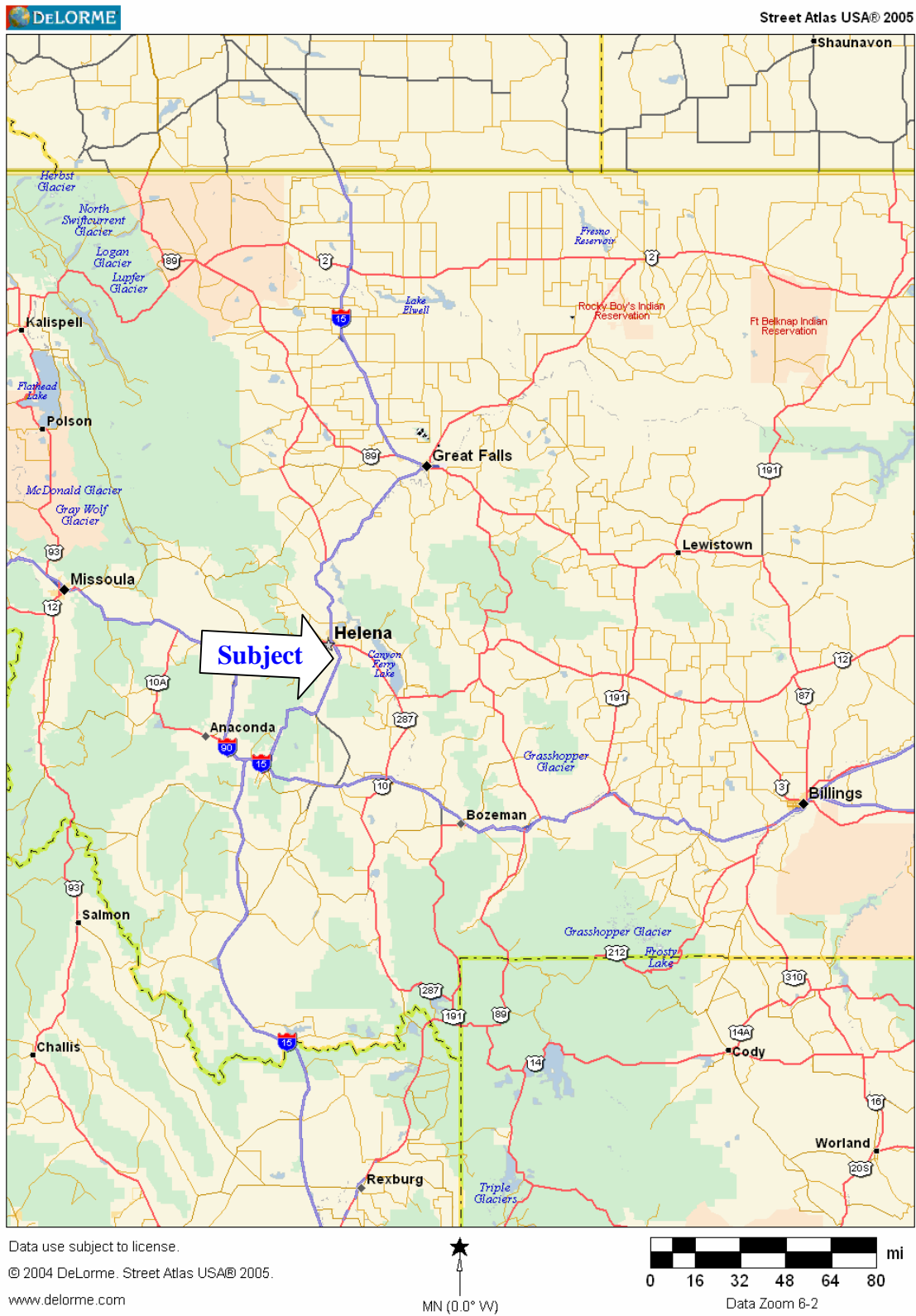
PURPORTED OWNER

The subject parcel is owned by the State of Montana which is documented in Quitclaim Deed recorded in Deed Book 166, Page 349, dated June 23, 1926. A copy is included in the Addenda.

SALES HISTORY OF THE PROPERTY

The subject parcel has been owned by the State of Montana for a number of years. This ± 160 acre parcel will be made available for public sale through the Land Banking Program with the State of Montana. It was reported the adjacent property owner, Ashgrove Cement Company has displayed an interest in purchasing the property.

REGIONAL MAP



REGIONAL AND CITY ANALYSIS

The subject property is located approximately $\frac{3}{4}$ of mile northeast of Montana City in Jefferson County. This portion of North Jefferson County is approximately three miles southeast of the city limits of Helena.

Jefferson County is quite large and extends almost from the city limits of Butte (± 60 miles to the south) to nearly the Helena city limits. North Jefferson County has seen significant growth in the past 10 years and specifically those areas lying adjacent to Helena and the Lewis and Clark County line. For the remainder of Jefferson County much of the economy is based on the mining and agricultural industry as well as state and federal employment opportunities. Boulder is the county seat for Jefferson County and lies approximately 20 miles to the south.

Commercial development in North Jefferson County is primarily limited to the immediate areas surrounding the Interstate 15 interchanges. Known mostly for its rural residential settings, residential sites range in size from one acre to nearly an entire section, and agricultural land is still abundant.

A new Interstate 15 interchange was recently developed which is just north of the Jefferson County line and is adjacent to Nob Hill Subdivision. This interchange provides direct access to Nob Hill Subdivision along the west which has several different property types proposed for development. Single-family and multi-family development is well underway in this subdivision and commercial development is anticipated to begin soon. There are plans to develop a large office building which will be home to two State agencies. In addition, there are a variety of commercial developments proposed.

Ashgrove Cement Company and two gold mines, Montana Tunnels and Golden Sunlight are the primary employers and provide a significant portion of the tax base for Jefferson County. In addition, the State of Montana, Department of Public Health and Human Services and Corrections has an appreciable presence in Boulder.

The subject is located south of Helena which is the county seat of Lewis and Clark County and the State Capital. Helena's economy has been experiencing significant growth which is seen in most of the larger communities throughout Montana. The general area population is approximately 67,000 which consist of Lewis and Clark County, North Jefferson County and West Broadwater County.

Real estate values in North Jefferson County have seen appreciation which is attributed to its proximity to Helena, whereas the values in other portions of the county have remained relatively stable. It was reported by local real estate professionals in the Helena area that real estate values have leveled off somewhat in the past 12 to 18 months.

The three communities, Montana City, Clancy and Jefferson City are each considered to be

bedroom communities to Helena.

There is good highway and interstate access provided throughout the area with Interstate 15, Highway 12 East and West, and Highway 518 in the immediate vicinity. There are several airlines, railway, bus lines and motor freight carriers also providing good transportation throughout the area.

This general area attracts many tourists due to its central location in the State of Montana. There are a number of outdoor recreational opportunities with numerous rivers, lakes and mountain ranges in the immediate area. Overall, the State of Montana has become very popular over the past decade with tourism seeing a more significant role each year.

NEIGHBORHOOD DATA AND TRENDS

The subject property is located in North Jefferson County very near the Lewis & Clark/Jefferson County Line. The subject is located approximately $\frac{3}{4}$ mile northeast of the I-15/Montana City Interchange and almost adjacent to Highway 518.

As previously noted Montana City is predominately a bedroom community to Helena. The majority of commercial development in Montana City is concentrated near the I-15/Montana City Interchange. This commercial development consists of a motel/convenience store, bars/restaurants, small office properties, and other commercial uses. In addition, the Ashgrove Cement plant is situated across Highway 518 from the subject property, near the southeast corner.

Northwestern Energy provides electrical service and natural gas throughout the area. Telephone and television service are also available throughout the area and both well and septic systems are commonly used.

This area will continue to see development of both commercial and residential properties.

NEIGHBORHOOD PHOTOGRAPHS



Photograph illustrates Microwave Road which provides access to the subject. The photo is taken near the west boundary of the subject looking northeast.



View of Ashgrove Cement plant located near the southeast corner of the subject.

REAL ESTATE TAXES

The subject property is owned by the State of Montana and is currently exempt from taxation. If the parcel sells, and is in private ownership, it will be subject to taxation.

The Montana State Department of Revenue, working through each county courthouse, appraises all taxable real estate, presumably at market value. State law has prescribed that a re-evaluation plan be completed periodically. The most recent statewide reappraisal was completed on December 31, 2002, which is for tax years 2003 thru 2008. Single family dwellings are predominately valued based upon the sales comparison approach. When market data proves to be unreliable, Montana Department of Revenue appraisers will use replacement cost, less depreciation. For commercial property, appraisers have relied most heavily on the cost approach, but in areas where sufficient income and expense data is available, the income approach is being considered more and more. Industrial property is valued based upon the cost approach. The Marshall Valuation Service Cost Manual is heavily used by the Montana Department of Revenue appraisers. Other non-public data, resulting from the Real Estate Financial Disclosure Act, is also considered.

Due to the fact that the Department of Revenues values are based upon pre 2003 market data, the current market values may or may not be indicative of the value for tax purposes depending on the changing market conditions. The Montana Legislature has recognized that real estate values have been increasing significantly, therefore, it enacted into law a phase-in process along with a value exemption for residential and commercial property. The phase-in process for the current reappraisal cycle is 16.66% per year for both classes of property. The exemption for residential property is 31% for tax year 2003 and increases incrementally to 34% for tax year 2008 and succeeding years. The exemption for commercial property is 13% for tax year 2003 and increases incrementally to 15% for tax year 2008 and succeeding years. The market value depicted on the tax statements is the value after the phase-in and exemption adjustment. This value is also referred to as the "Taxable Market Value". The tax rate is then applied to the taxable market value to establish the taxable value. The tax rate for 2003 is 3.40% and is adjusted downward annually, until it reaches 3.01% in 2008. Each of these adjustments to the Department of Revenues market value determination is an attempt to keep real estate taxes relatively equal to previous tax years. The final step in determining the general property tax is by multiplying the taxable value by the jurisdictional mill levy. The following table illustrates **examples** of how the taxes are determined for a residential and a commercial property:

Residential			Commercial		
2003 full reappraisal value		\$150,000	2003 full reappraisal value		\$1,500,000
2002 value before reappraisal	-	\$100,000	2002 value before reappraisal	-	\$1,000,000
Increase from reappraisal		\$50,000	Increase from reappraisal		\$500,000
16.66 phase-in on increase	x	16.66%	16.66 phase-in on increase	x	16.66%
Phase-in amount		\$8,330	Phase-in amount		\$83,300
2002 value before reappraisal	+	\$100,000	2002 value before reappraisal		\$1,000,000
2003 phase-in value		\$108,330	2003 phase-in value		\$1,083,300
Exemption (31%)	x	69%	Exemption (13%)	x	87%
2003 taxable value		\$74,747			\$942,471
Tax rate	x	3.40%	Tax rate	x	3.40%
Taxable value		\$2,541	Taxable value		\$32,044
Mill levy (.450)	x	.450	Mill levy (.450)	x	.450
General Property Taxes		\$1,144	General Property Taxes		\$14,420
This example is for illustrative purposes only. Mill levies vary by school district and taxing jurisdiction.					

The tax bill sets forth the taxable market values and taxable values for the land and improvements. As noted above, the mill levy is applied against taxable value to obtain the dollar amount of general taxes. General taxes and perpetual improvement district charges are listed for the first and second halves of the year. Real estate taxes are paid in arrears, with the first half due in November of the current year and the second half due in May of the following year. As previously noted the subject site is currently exempt from taxation.

PROPERTY DESCRIPTION

Site

Size: The subject parcel consists of \pm 160 acres.

Shape: The subject parcel is rectangular in shape.

Topography: The topography of the subject varies from mild to steep hillsides. The westerly portion of the subject has the greatest amount of developable land based upon topography.

Soil Conditions: Soil conditions are unknown. No soil tests were provided to your appraiser. There is a small rock quarry near the southeast corner of the subject which has not been utilized in many years.

Easements: The following easements were reported to me by Mr. Bakken:

- AT & T (D-05360) 1.47 acres – road access.
- US West (D-05367) .61 acres, buried phone line.
- NW Energy, D-05378, .57 acres, overhead power lines.

During the on-site inspection it was discovered an underground gas line is present. No documentation with respect to an easement number was presented to me. In addition, there is a gravel road easement (Microwave Road) which crosses the subject property. A copy of the road easement is contained in the addenda. A title policy should be used for the final determination of easements and encroachments.

Access: Access to the subject site is from Microwave Road, a gravel road, at the west boundary of the property.

Utilities: There are overhead power lines which cross subject site. In addition, Natural gas, telephone service, and well and septic systems are utilized in this area.

Functional Adequacy:

The topography of the subject varies from steep hillsides to ravines which would limit development potential on these portions of the property. The overall topography of the subject offers exceptional views of the surrounding mountains and valley.

Flood Plain:

The subject is not located within a designated flood area.

Nuisances or Hazards:

There are portions of the subject property which are in direct view of the Ashgrove Cement Plant.

Site Improvements:

There is barbed wire fencing on the property, but due to observed condition, it has not been considered in this assignment.

SUBJECT PROPERTY PHOTOGRAPHS



Looking north along the west boundary of the subject.
Photograph taken 10/29/08 by Gregory A. Thornquist.



Looking south across subject and a portion of Ashgrove Cement plant is visible.
Photograph taken 10/29/08 by Gregory A. Thornquist.

SUBJECT PROPERTY PHOTOGRAPHS



Looking north along the west boundary of the subject.
Photograph taken 10/29/08 by Gregory A. Thornquist.



Looking across the subject.
Photograph taken 10/29/08 by Gregory A. Thornquist.

SUBJECT PROPERTY PHOTOGRAPHS



Looking south along the east boundary of the subject.
Photograph taken 10/29/08 by Gregory A. Thornquist.



Looking across the subject.
Photograph taken 10/29/08 by Gregory A. Thornquist.

ZONING

Investigation at the Jefferson County Planning Department indicated that the subject site is presently zoned Basic Resource. The purpose in this zoning classification is to:

- Recognize that agricultural products, timber, minerals and mine materials are valuable resources within Jefferson County and that the production, extraction and processing of these basic resources is beneficial to the economy of the county and the welfare of its people.
- Protect and preserve relatively undeveloped lands for the performance of a wide range of agricultural, timber, mineral and recreational functions.
- Encourage the utilization of basic resources in an environmentally responsible and safe manner, and in a manner compatible with the other land uses in the area.
- Plan and provide for community health and safety; and
- Protect basic resource zones from encroachment by incompatible uses including, but not limited to, residential development.

There are a number of permitted uses and uses which would require a conditional use permit. These uses are further illustrated on the county zoning document included in the addenda.

HIGHEST AND BEST USE

"The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible and that results in the highest value."¹

The definition above applies to the highest and best use of vacant land or improved property. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

Quite often in estimating the highest and best use of land, the appraiser is controlled by governmental regulations. These controls are generally zoning ordinance, parking requirements and building codes. Also, in the estimate of highest and best use, one must recognize the attitude of typical investors in the marketplace.

¹ *The Appraisal of Real Estate, 12th Edition*, (Appraisal Institute, 2001), p. 305.

Real estate will usually fall into certain definite development patterns, and their uses can be classified as: residential, agricultural, recreational, industrial, commercial and/or public use. In valuing the highest and best use of the land both as if vacant and improved, the following criteria must be met. 1) legally permissible, 2) physically possible, 3) financially feasible, and 4) maximally productive.

Highest & Best Use of Land as Vacant

Legally Permissible

I spoke with the County Planner/Zoning Administrator for Jefferson County, and he indicated the State of Montana is not subject to the zoning regulations but he did note the State will typically comply with current regulations. It was also noted if the property were transferred into private ownership the current zoning, Basic Resource would apply. There are a considerable number of permitted uses or conditional uses allowed by the Basic Resource zoning classification. A complete list of these uses is illustrated on the county zoning document in the addenda.

This area of North Jefferson County has experienced a significant amount of single-family development in recent years and it was reported the minimum lot size per the Basic Resource zoning classification is 160 acres; therefore, residential subdivision can be eliminated from consideration.

Physically Possible

The topography of the subject varies from mild rolling to steep hillsides and ravines. This topography would eliminate many commercial/industrial uses as a result of high development costs.

Utilities, i.e. natural gas, electricity, telephone, etc., are readily available in the area. In addition, well and septic systems are used throughout Jefferson County.

The subject property is currently being used for agricultural grazing; therefore this use is physically possible. Development for one single-family dwelling is legally permissible and physically possible.

Financially Feasible

There are various commercial uses which are permitted or permitted under a conditional use but based upon the lack of direct frontage/access to Highway 518 coupled with the subject's topography; commercial uses can be eliminated from consideration.

The subject is currently being leased for agricultural grazing to Day Spring Land Company. This lease expires February 28, 2013 and the appraisal assignment indicates the lease will be disregarded when establishing a value. In addition, Mr. Bakken indicated all State leases contain language that the lease will

terminate upon the sale of the property. It's evident the highest and best use of the land is not for an agricultural use.

Maximally Productive

As previously noted the Basic Resource zoning ordinance allows for one single-family dwelling per 160 acres. Zone changes are typical and based upon the development that has occurred in North Jefferson County, the County Commissioners could potentially change the zoning classification to allow for greater development potential. I spoke with Ken Vivrette, Member of the Jefferson County Planning Board, and he indicated there are ongoing discussions concerning the Basic Resource zoning classification in Jefferson County. He also noted zone changes if they were to be granted would take approximately one year. It is assumed a potential buyer of the subject would be well informed of the current zoning and the risk associated with pursuing a change in zoning when entering into purchase negotiations. Ashgrove Cement owns the vast majority of the subject's adjacent property and it is anticipated would protest any zone change that would allow for residential subdivision development based upon the proximity to the operating plant.

Conclusion

Therefore, the highest and best use of the subject based upon the legally permissible, physically possible, financially feasible, and maximally productive, is for one single-family residence.

PROPERTY VALUATION

Methods and/or Techniques Employed:

Whenever possible, all three basic approaches to value are utilized. The resulting indications of value are then correlated into a final estimate of market value. In the course of investigating the marketplace where this valuation will be made, sufficient data was found to employ the sales comparison approach.

DEFINITIONS

Sales Comparison Approach:

A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison and making adjustments to the sales price of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant.²

The reliability of this technique is depended upon (A) the availability of comparable sales data, (B) the verification of sales data, (C) the degree of comparability or extent of adjustment necessary for time differences, and (D) the absence of non typical conditions affecting the sales price.

²The Appraisal of Real Estate, 12th Edition, Page 417, 2001, sponsored by the Appraisal Institute.

SITE VALUATION

The method employed to value the site as if vacant and available for sale is the Sales Comparison Approach. An investigation of the market revealed six sales and one listing which are indicative of what a well informed buyer or seller would consider in forming an opinion of value. Descriptive data of these sales are contained in the Addenda.

Adjustments

All of the comparable properties differ somewhat from each other, and from the subject in various ways. The usual differences are for cash equivalency, market conditions, location, and a number of physical characteristics. Many of these factors, in varying degrees, are applicable in the appraisal of the subject property. When dissimilarities are found in comparable properties, they are adjusted for by adding to the comparable price when the dissimilar factor is inferior to the same factor found in the subject property. Likewise, a minus adjustment should be made when the comparable sale has a factor which is superior to that found in the subject property. The sale properties, then, are adjusted to the subject property.

However, in the market it is often difficult and sometimes impossible to accurately isolate a given factor. In short, one very seldom finds sales which are identical in all respects but one, and thus is able to prove conclusively the value, or lack of it, for any one factor due to a difference in sale price. Often, there are plus and minus factors which offset each other. Thus, the use of subjective judgment, to some degree, may be exercised.

Nevertheless, the differences in values are real and adjustments based on as much fact as can be found, will be made. Then, the appraiser may call upon his experience to make subjective judgments.

Property Rights

Each of the sales involves fee simple property rights. As a result, no property rights adjustments are warranted.

Financing:

All sales are cash to the seller or on terms considered cash equivalent, and no adjustments are required.

Conditions of Sale:

No non-market conditions motivating the buyer or seller involved in the transactions are known

or reported, therefore no adjustments are required.

Expenditures Immediately After Sale:

None of the sales required expenditures immediately after sale, and therefore no adjustments are required.

Contributory Improvements:

Sale No's 5 and 6 each had improvements to the property which had contributory value at the time of sale. Sale No. 5 had a single-family dwelling and irrigation equipment valued at \$165,000. Deducting these improvements from the sale price of \$1,100,000 suggests a land value of \$935,000. Sale No. 6 had a single-family dwelling and other ancillary improvements valued at \$300,000. Deducting these improvements from the sale price suggests a land value of \$1,050,000. None of the remaining sales had improvements, therefore no adjustments were required.

Market Conditions:

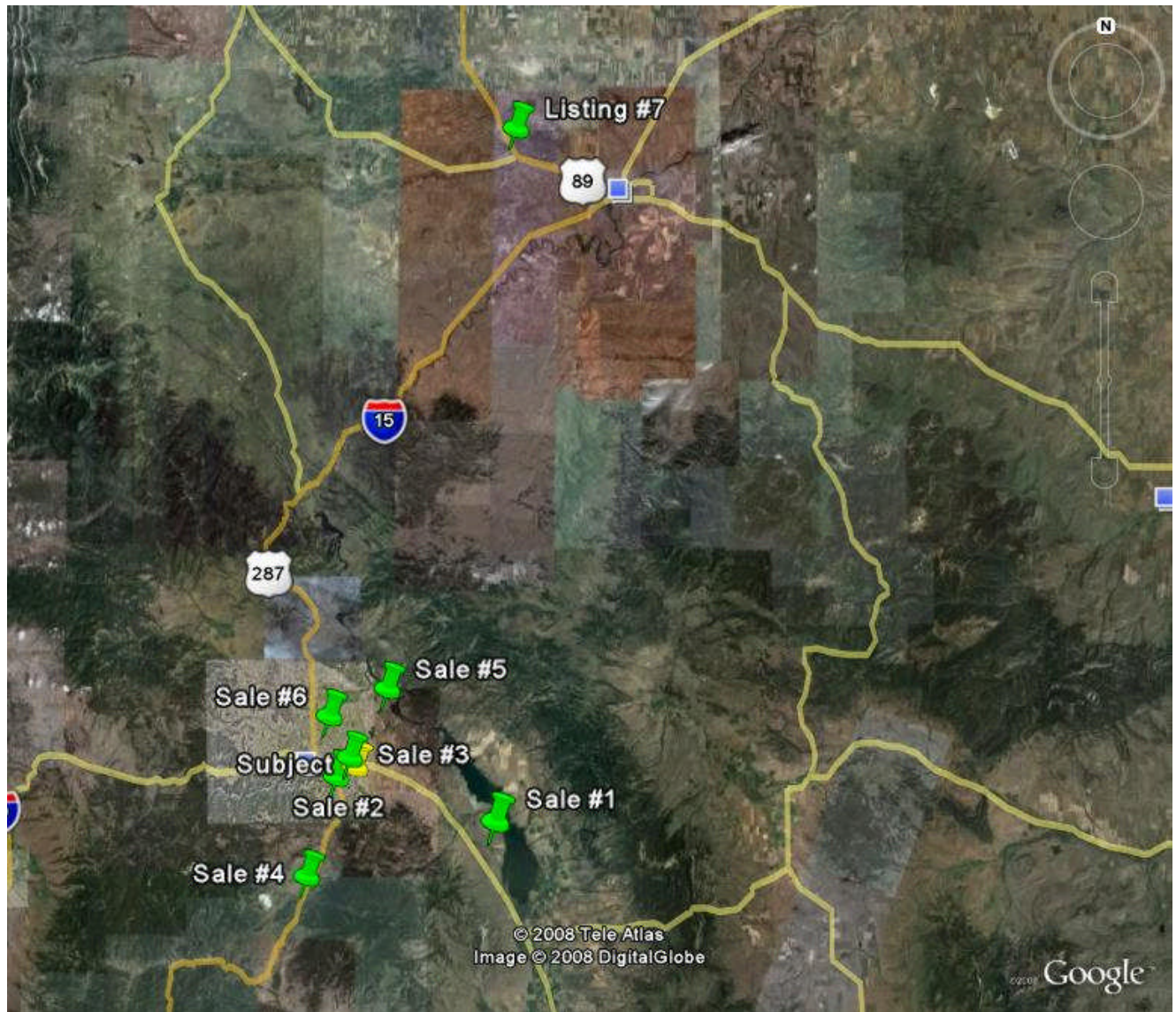
An adjustment for market conditions is required to bring all comparable sales up to the effective date of the appraisal report, October 29, 2008.

I had discussions with local real estate agents and real estate appraisers and it was indicated the market was experiencing real property appreciation of approximately 12% to 15% per year up until the last twelve to eighteen months. Since that point land values have not been declining but have remained relatively stable. Therefore, the land sales used within this analysis were adjusted upward 1% per month to August 2007. Sales occurring after that point in time were not adjusted upward or downward.

Remaining Adjustments:

The remaining adjustments will be explained in a qualitative analysis which is an effective technique that recognizes the inefficiencies of a real estate market and the difficulty in expressing the adjustments with mathematical precision. The adjustments included in the qualitative analysis are location, size, access, topography, view, zoning (development potential), and timber. The land sales adjustment grid can be viewed on a following page.

LAND SALE LOCATION MAP



LAND SALE ADJUSTMENT GRID

	Subject	Sale #1	Sale #2	Sale #3	Sale #4	Sale #5	Sale #6	Listing #7
Sale Price		\$1,300,000	\$1,200,000	\$1,350,000	\$160,000	\$935,000	\$1,050,000	\$249,900
Size (acres)	160 acres	654.44 acres	318.72 acres	599.48 acres	78.97 acres	286.57acres	268.64 acres	190.44 acres
Price per acre		\$1,986/ac	\$3,765/ac	\$2,252/ac	\$2,026/ac	\$3,263/ac	\$3,909/ac	\$1,312/ac
Date of Sale	NA	8/29/08	3/17/05	2/05	11/18/05	5/19/05	12/2/05	Listing
Adjustment		NA	\$1,210/ac	\$783/ac	\$446/ac	\$963/ac	\$861/ac	NA
Adjusted price per acre	NA	\$1,986/ac	\$4,975/ac	\$3,035/ac	\$2,472/ac	\$4,226/ac	\$4,770/ac	\$1,312/ac
Physical Characteristics								
Location	Montana City N. Highway 518	Winston	S. of Montana City	Montana City Highway 282	Jefferson City Heide Way	Helena Deal Lane	Helena Olsen Road	Vaughn Frontage Road
Comparability		Inferior	Similar	Superior	Inferior	Superior	Superior	Inferior
Size (acres)	160 acres	654.44 acres	318.72 acres	599.48 acres	78.97 acres	268.64 acres	268.64 acres	190.44 acres
Comparability		Inferior	Inferior	Inferior	Superior	Inferior	Inferior	Similar
Access	Gravel County Rd.	Gravel County Rd	Gravel County Rd	Paved Highway	Gravel County Rd.	Gravel County Rd.	Gravel County Rd.	Paved Rd.
Comparability		Similar	Similar	Superior	Similar	Similar	Similar	Superior
Topography	Mild to Steep	Mild to Steep	Mild to Steep	Mild	Mild to Steep	Mild	Mild	Mild
Comparability		Similar	Similar	Superior	Similar	Superior	Superior	Superior
View	Mtns.	Mtns. & Lake	Mtns.	Mtns.	Mtns.	Mtns.	Mtns.	Valley
Comparability		Superior	Similar	Similar	Similar	Similar	Similar	Inferior
Zoning (Dev. Potential)	Basic Resource	None	None	Partial Basic Res.	Covenants	None	None	None
Comparability		Superior	Superior	Superior	Similar	Superior	Superior	Superior
Timber	None	None	Yes	None	Yes	None	None	None
Comparability		Similar	Superior	Similar	Superior	Similar	Similar	Similar
Overall Comparability		Similar	Superior	Superior	Somewhat Superior	Superior	Superior	Inferior

Sales Analysis:

The subject site is 160 acres located just north of Highway 518. This property is accessed from a gravel county road and the topography is mild to steep. The subject is zoned Basic Resource, which limits residential development to one single-family dwelling.

Sale No. 1 occurred on August 29, 2008 for 654.44 acres at \$1,300,000 or \$1,986 per acre. This sale was not adjusted for time. This property is located between Canyon Ferry Lake and US Highway 12, just south of Winston, MT. Portions of this property offer exceptional views of the lake and surrounding mountains. This property is currently being marketed as four individual 160 acre tracts at approximately \$1,300,000 per 160. In addition, the buyer is anticipating subdivision development on one 160 acre tract. This property is considered superior to the subject with respect to view and zoning (development potential), similar with respect to access, topography and timber, but inferior with respect to location and size. Overall, this sale is considered somewhat similar to the subject.

Sale No. 2 occurred on March 17, 2005 for 318.72 acres at \$1,200,000 or \$3,765 per acre. The time adjusted price is \$4,975 per acre. This property is located just southwest of Montana City, MT., off of Jackson Creek Road. This property has timber and has been developed with a single-family dwelling. This property is considered superior to the subject with respect to zoning (development potential) and timber, similar with respect to location, access, topography and view, but inferior with respect to size. Overall, this sale is considered superior to the subject.

Sale No. 3 occurred on February 11, and 14, 2005 for 599.48 acres at \$1,350,000 or \$2,252 per acre. The time adjusted price is \$3,035 per acre. This property is located just southeast of Helena and lies in both Lewis and Clark and Jefferson County. The portion which is within Lewis and Clark County is unzoned and the portion which is within Jefferson County is zoned Basic Resource. This property is considered superior to the subject with respect to location, access, topography, and zoning (development potential), similar with respect to view and timber, but inferior with respect to size. Overall, this sale is considered superior to the subject.

Sale No. 4 occurred on November 18, 2005 for 78.97 acres at \$160,000 or \$2,026 per acre. The time adjusted price is \$2,472 per acre. This property is located near Jefferson City, MT and is currently back on the market for \$365,000 or \$4,622 per acre. This property is considered superior to the subject with respect to size, similar with respect to access, topography, view, and zoning (development potential), but inferior with respect to location. Overall, this sale is considered somewhat superior to the subject.

Sale No. 5 occurred on May 19, 2005 for 286.57 acres at \$1,100,000. This sale included a single family residence and irrigation equipment which has a contributory value of \$165,000. The indication of value for the land is \$935,000 or \$3,263 per acre. The time adjusted price is \$4,226 per acre. This property was purchased for residential subdivision development. This property is considered superior to the subject with respect to location, topography, and zoning (development potential), similar with respect to access,

view and timber, but inferior with respect to size. Overall, this sale is considered superior to the subject.

Sale No. 6 occurred on December 2, 2005 for 268.64 acres at \$1,350,000. This sale included a single-family dwelling and some ancillary improvement which had a contributory value of \$300,000. The indication of value for the land is \$1,050,000 or \$3,909 per acre. The time adjusted price is \$4,770 per acre. This sale is location in Helena and has preliminary plat approval for a residential subdivision. This property is considered superior to the subject with respect to location, topography, and zoning (development potential), similar with respect to access, view, and timber, but inferior with respect to size. Overall, this sale is considered superior to the subject.

Listing No. 7 is a 190.44 acre parcel listed at \$249,900 or \$1,312 per acre. This property is located near Vaughn, Mt., west of Interstate 15. This property is agricultural pasture land and has been on the market for approximately four months with little interest. This listing is considered superior to the subject with respect to access and zoning (development potential), similar with respect to size, topography, and timber, but inferior with respect to location and view. Overall, this listing is considered inferior to the subject.

The following table is an array of the overall comparability of the sales and listing used within this analysis:

Comparable	Price Per Acre	Overall Comparability
Listing #7	\$1,312/Ac	Inferior
Sale #1	\$1,986/Ac	Similar
Sale #4	\$2,472/Ac	Somewhat Superior
Sale #3	\$3,035/Ac	Superior
Sale #5	\$4,226/Ac	Superior
Sale #6	\$4,770/Ac	Superior
Sale #2	\$4,975/Ac	Superior

A major factor that impacts the value of the subject property is the Basic Resource zoning classification. Undoubtedly the owner of the subject could request a zone change for the property to allow for further subdividing, but there is no guarantee this would be granted. Ashgrove Cement Company has its plant in close proximity to the subject and also owns the majority of the surrounding lands. It is safe to assume, they would oppose any change in land use, i.e., residential subdivision development, for the subject to avoid public outcry towards the ongoing operation of the cement plant. Sale No. 4 is the only sale that has restrictive covenants limiting further subdividing. Therefore this sale is most similar to the subject with respect to development limitations, but it is smaller in size and has a considerable amount of timber on site.

Considering each of the sales and one listing, it is my opinion a reasonable estimate of market value for the subject as of October 29, 2005 is **\$2,000 per acre or \$320,000.**

VALUE ESTIMATE AND CERTIFICATION

The undersigned does hereby certify that, to the best of his knowledge and belief, except as otherwise noted in this appraisal report:

1. The statements of fact contained in this report are true and correct.
2. The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and/or those found in the letter of engagement or appraisal consultation contract authorizing this report and is my personal, impartial, and unbiased professional analysis, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting a predetermined.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. This appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.
7. My analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with The Uniform Standards of Professional Appraisal Practice and with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
9. I have made a personal inspection of the property that is the subject of this report.
10. Gregory A. Thornquist is currently licensed in the State of Montana (Certificate #867) as a Certified General Real Estate Appraiser. Regarding the Competency Provision of USPAP, I further attest I've had substantial approved education and experience in the appraisal of vacant land and commercial property.

Based upon all the elements of which I am aware of and which could reasonably affect value, I have estimated market value of the subject site, as of October 29, 2005, to be:

Three Hundred Twenty Thousand Dollars

\$320,000*

*This value is subject to the Hypothetical Condition on page 8.

November 5, 2008

Date

Gregory A. Thornquist,
General Certified Appraiser